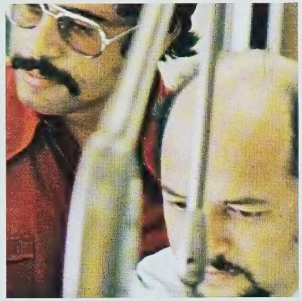
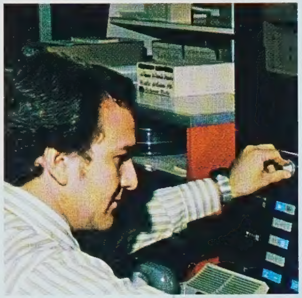




POWER

CANADIAN INTERNATIONAL POWER COMPANY LIMITED · ANNUAL REPORT · DECEMBER 31, 1975

CANADIAN INTERNATIONAL POWER COMPANY LIMITED AND SUBSIDIARIES

International Power Company Limited	**Canada**
La Electricidad de Perijá, C.A.	Venezuela
Empresa de Luz y Fuerza Eléctrica de Oruro	Bolivia
Compañía Territorial Mexi-Cana, S.A.	Mexico
Hemisphere Investments Limited	Bermuda
C I Power Services Limited	**Canada**
Consultores Occidentales, S.A.	Venezuela
Compañía Sudamericana de Consultoría, S.A.	Bolivia
Inversiones Indesven, S.A.	**Venezuela**
Procesamiento Electrónico de Datos, S.A.	Venezuela
C.A. Energía Eléctrica de Venezuela	**Venezuela**
C.A. Energía Eléctrica de Barquisimeto	**Venezuela**
C.A. Planta Eléctrica de Carora	Venezuela
Compañía Boliviana de Energía Eléctrica, S.A. — Bolivian Power Company Limited	**Bolivia**
Compañía de Alumbrado Eléctrico de San Salvador	**El Salvador**
The Bardados Light and Power Company Limited	**Barbados**
Monterey Railway, Light and Power Company	**Canada**

1975 HIGHLIGHTS

	1975	1974
Consolidated Net Income	**$15,693,000**	$15,573,000
Preferred Stock Dividends	**$ 269,000**	$ 302,000
Earnings Per Common Share	**$ 2.66**	$ 2.63
Common Stock Dividends	**$ 8,075,000**	$ 6,853,000
Capital and Replacement Expenditures	**$27,864,000**	$20,887,000
Installed and Purchased Generating Capacity (kilowatts)	**924,000**	863,000
Peak Demand (kilowatts)	**584,000**	552,000
Electric Sales in megawatt-hours	**2,962,000**	2,730,000
Number of Electricity Customers	**554,000**	522,000

TEN YEAR RECORD

(at December 31)	1975	1966
Cash and Bank Deposits	**$ 29,613,000**	$17,833,000
Preferred Stock Outstanding	**$ 4,701,000**	$ 6,378,000
Consolidated Operating Revenue	**$100,658,000**	$36,535,000
Earnings — for Common Stock	**$ 15,424,000**	$11,046,000
— per Share	**$ 2.66**	1.91*

*As restated for 5-4 stock split in 1968 and 2-1 stock split in 1972.

All figures in this Report are in U.S. Dollars unless otherwise noted.

The 40,000 kilowatt steam plant in its final stage of construction at Spring Garden, Barbados.

DESCRIPTION OF THE COMPANY'S BUSINESS

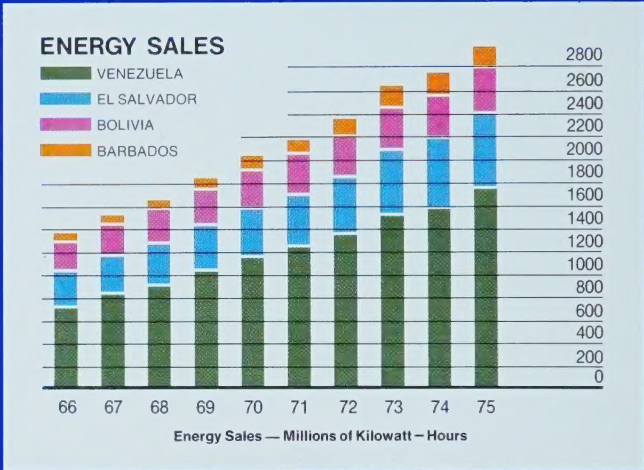
C I Power is a Canadian based holding company primarily engaged through subsidiary companies in the generation, transmission and sale of electric power in areas of Venezuela, El Salvador, Bolivia and all of Barbados. In 1975 the Company's consolidated operating revenues were $100,658,000 of which 55 per cent was derived from operations in Venezuela, 7 per cent from Bolivia, 24 per cent from El Salvador and 14 per cent from Barbados.

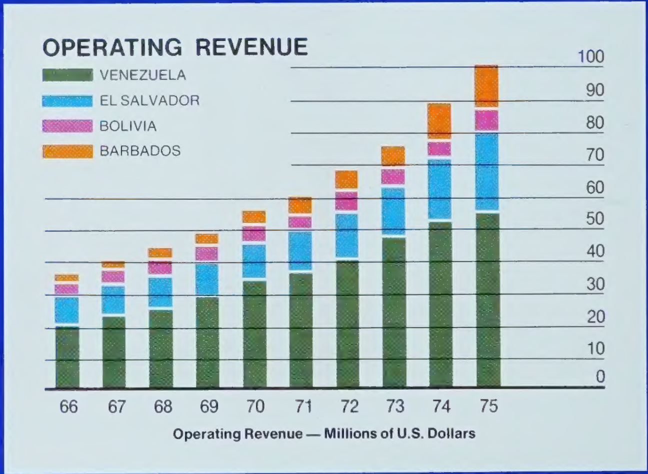
Electricity is produced in Venezuela and Barbados by generating equipment powered by natural gas, diesel and fuel oil; in Bolivia by two hydro-electric systems utilizing the water flow of two separate Andean watersheds. The El Salvador subsidiary primarily purchases power from the Government. Installed generating and purchased capacity at year end was: Venezuela 570,000 kilowatts; El Salvador 147,000 kilowatts; Bolivia 140,000 kilowatts; and Barbados 67,000 kilowatts.

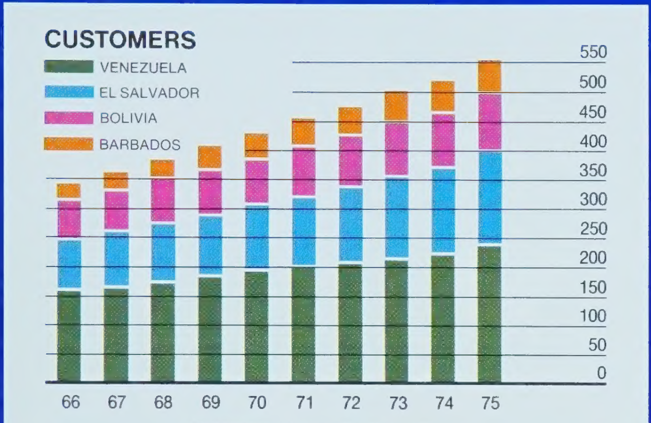
In 1976, 40,000 kilowatts will be added to Barbados installed capacity and 45,000 kilowatts to Maracaibo. On order is an 87,000 kilowatt steam plant for Maracaibo.

The Company's power subsidiaries operate under governmental franchises or contracts. The El Salvador, Bolivia and Barbados subsidiaries are regulated by government ministries or agencies.

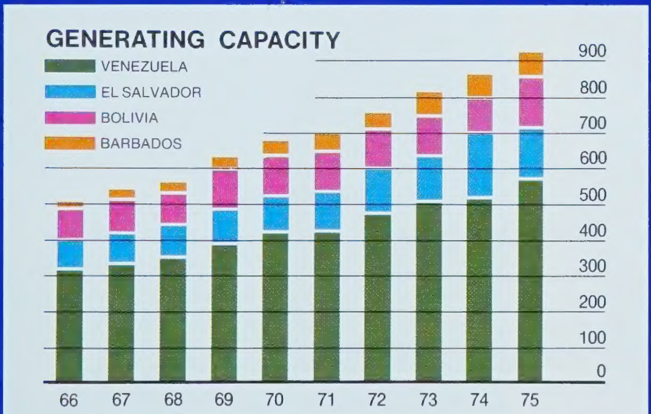
With the exception of Barbados, the Government is engaged directly or indirectly in the power business. Information on the present status of the Company's negotiations with the Government of Venezuela will be found in the "To The Shareholders" letter. Under a government decree, at least 80 per cent of the equity shares of foreign owned companies, such as the Company's Venezuela utility properties, must be offered for sale to Venezuelan nationals before May 1, 1977. The Government however has indicated that it will acquire the entire operation (see note 3).







Customers — Thousands at December 31



Installed, Purchased Generating Capacity — Thousands Kilowatts

TO THE SHAREHOLDERS

Healthy increases in both sales and operating revenues marked the year 1975 for C I Power. Rate increases in Bolivia and Salvador contributed considerably to improved revenues. Net income, however, remained close to the 1974 level due to the continuously inflating cost of labour and materials. The Company's financial strength again enabled the Board of Directors to vote a dividend increase, the tenth such increase in the past eleven years.

Consolidated earnings on the Common Stock for 1975 were $15,424,000 or $2.66 per share, compared with 1974 earnings of $2.63 per share. Operating revenues in 1975 amounted to $100,658,000 or 13.2 per cent over 1974. This satisfactory result reflects in some measure the 70 per cent rate increase in Bolivia, applicable as of April 1, 1975, and the 35 per cent rate increase in El Salvador which was in effect for the full year. Kilowatt-hour sales in 1975 totalled 2,961,756,000, compared with 2,730,179,000 in 1974, an 8.5 per cent increase.

The combined subsidiaries, on December 31, 1975, served 554,000 customers, compared with 522,000 the year before. Capital expenditures in 1975 totalled $27,864,000 and a capital budget of $34,457,000 has been approved by the Board of Directors for 1976. Cash and bank deposits at year end amounted to $29,613,000.

Dividend Increase

At the September 1975 meeting, the Board increased the quarterly dividend on its Common Stock to U.S. $0.375 per share, as compared to U.S. $0.32 per share in the previous quarters of the year. On an annual basis, this represents an increase to U.S. $1.50 from U.S. $1.28 per share. The new quarterly dividend was established prior to October 14,

1975, when the Anti-Inflation Act (Canada) went into effect, and is within the guidelines of the Act. The restraints apply at present only for the twelve months ended October 13, 1976. There is no indication as yet whether they will be extended after that date, or, if so, how they would apply.

New Class of Common Stock

At a Special Shareholders' meeting on May 16, 1975, By-Law XL was approved creating a new class of Common Stock. Under the By-Law the Common Shares were reclassified as Class A Convertible Common Shares and an equal number of Class B Convertible Common Shares were authorized. The purpose of this new Class B stock is to allow Canadian shareholders to avail themselves of certain beneficial provisions in the Canadian Income Tax laws. A substantial number of shareholders have opted to convert their Class A Shares to Class B Shares. Gross dividends on both classes of stock are the same, and the shares are interchangeable at any time.

C I Power Management: Eric H. Campbell, President; Morley P. Thompson, Vice Chairman; Wm. M. Hickey, Chairman.

Venezuelan Negotiations

Negotiations with the Venezuelan Government entered a more active stage in 1975. The new Minister of State has been placed in charge of the negotiations for the Government, and useful conversations have taken place wherein both the Government and the Company's representatives have exchanged points of view.

The Municipality of the District of Maracaibo on October 14, 1975, notified the Maracaibo Company that the Company's franchise with the Municipality, due to expire in January 1977, would not be renewed at that date. Instead, the Municipality stated its intention to acquire the properties. The contract calls for adequate compensation. Since that time, there have been intimations from the Municipality that they would be interested in renegotiating the contract. Any consideration of the Municipal franchise is on the local municipal level and does not preclude negotiations with the Federal Government. Under a government decree, at least 80 per cent of the equity shares of foreign owned companies, such as the Company's Venezuela utility properties, must be offered for sale to Venezuelan nationals before May 1, 1977. The Government however has indicated that it will acquire the entire operation (see note 3).

Paul W. Raymer

A resolution honouring the memory of Paul Washington Raymer, a member of the Board of Directors and Executive Committee, whose death occurred on November 20, 1975, was adopted by the Board at its February 1976 meeting. From his youthful days as a service lineman in Puerto Rico, through his long years in management, including many as a Company Vice-President, Paul Raymer contributed his wide knowledge of developing countries and of the public utility industry to the Company progress. His passing was a great loss to his associates who had long respected his abilities and cherished his friendship.

Executive Changes

In November 1975, Morley P. Thompson was appointed Vice-Chairman of the Board and a Director. Mr. Thompson is President and a Director of the D. H. Baldwin Company, President and a Director of The United Corporation, and a Director of Anchor Hocking Corporation, Cincinnati Bell, FMC Corporation, the Kroger Company, and the Midland Bank.

Frederic J. Ahern, a Vice-President of The United Corporation, was appointed Vice-President and Secretary of the Company.

David C. Mitchell, a Vice-President of the Company and for several years Executive Vice-President and General Manager of the Bolivia Company, was appointed Vice-President — Operations headquartered in Montreal.

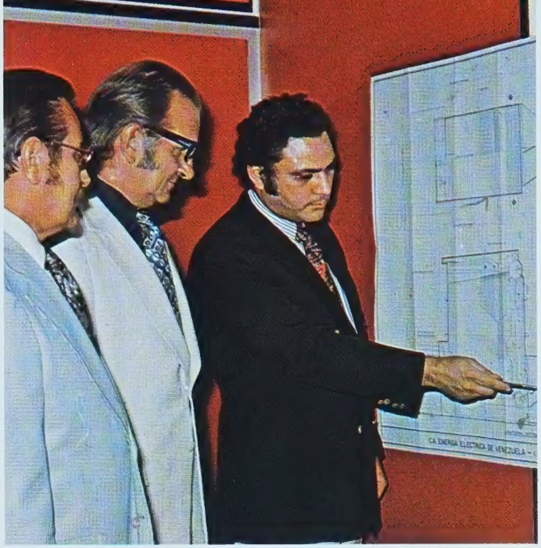
Richard G. Munro, formerly Controller, was appointed Vice-President and Treasurer.

Manuel Cano G., President of the Salvador Company, and John H. Nelson, Managing Director of the Barbados Company, were also appointed Vice-Presidents of C I Power.

The Ten-Year Record

This report pictures C I Power management at home and abroad. Their accomplishments are more than adequately reflected by the Company's financial record over the past ten years.

Earnings for the Common Stock from 1966-1975 rose 40 per cent. During this period, purchases of Preferred Shares for retirement totalled $1,327,000. Cash dividends on both Preferred and Common Stock totalled $55,892,000. During this same period, the Company financed and developed new and expanded facilities for a total expenditure of $192,640,000. In addition to this, C I Power management has succeeded in maintaining an unusually effective rapport with the countries and the people its electric utility subsidiaries have served.



President, Venezuela Operating Companies; Henning Porsaa, Vice-President — Finance; Humberto Zavarce, Vice-President — Operations.

Barquisimeto Management: Felix Otamendi, Vice-President and General Manager, with members of the Barquisimeto Reddy Kilowatt Club.

Diversified Investments

Economic conditions and the difficulty of developing viable situations within the parameters of recent national investment regulations, have influenced the Board of Directors to maintain the Company's strong liquid positon, rather than to venture further into diversified investments. Such liquidity continues a positive factor in the Company's financial strength.

The Venezuela Companies

Of major interest in any report on these Companies is the continuing negotiations with the Government on their acquisition of these properties. Current information on the subject was reviewed in the earlier paragraph on Venezuelan Negotiations and in note 3 to the Financial Statements.

Under the circumstances, some appropriate explanation must be made of the present and projected capital expenditures in Maracaibo. These include two 22,500 kilowatt gas turbine units presently on site and an 87,000 kilowatt steam generating plant now on order. These substantial additional commitments at this time are due to the long lead time required for engineering and installation, and the necessity, even during the present circumstances, of ensuring the continued availability of adequate power for this growing community. These additions to the generating capacity have the concurrence of the Government electric agency.

The high oil revenues of the country have triggered a rising level of economic activity, with the result that all four utility companies showed impressive increases in kilowatt-hour sales in 1975: Maracaibo 10.6%; Barquisimeto 11.7%; Perijá 11.4%; Carora 10.7%.

Procedatos, C I Power's Maracaibo data processing company, in addition to its normal company services and services to outside organizations, has proved a highly useful tool in the property appraisal needed for purposes of the negotiations with the Government.

Fiveca, the Caracas real estate investment company in which C I Power's Venezuelan investment subsidiary, Indesven, has a considerable investment, prospered during 1975 from its increasingly diversified activities. It is presently expanding its real estate operations in other urban areas of the country. Demand for suitable office space and higher rentals have increased the earnings of Centro Plaza, the Caracas building complex developed by Fiveca.

Barbados Management: David Shorey, Secretary Treasurer; John Nelson, Managing Director; Frank McConney, Manager — Business Operations; Andrew Gittens, Manager — Technical Operations.

The Salvador Company

The full effect of the sharply increased price of Government generated power is reflected in 1975 operations. This accelerated cost of operating the Salvador Company has only been partially covered by rate increases granted to the Company. There has been a further increase in the cost of power in January 1976 with an accompanying, though not adequate, increase in customer rates. Discussions on customer rates are continuing.

The extensive frosts in the coffee growing areas of Brazil and the recent earthquake in Guatemala have raised coffee prices with favourable effects on the El Salvador economy, despite a reduced crop. The price of sugar following the period of world sugar shortage highs, has returned to the pre-shortage level.

The major Government development continues to be the 270,000 kilowatt hydro-electric power plant on the Río Lempa, El Salvador's largest river, with the first unit expected to be commissioned by mid 1977. The additional hydro capability will benefit the country's balance of payments, since high priced oil imports will be reduced.

The Bolivia Company

The Bolivian Company, in July, paid the first substantial cash dividend on its preferred stock since 1969. A 5 per cent rate increase, effective March 1, 1976, and, hopefully, other modest increases later in the year, will further strengthen the Company's financial position. In 1975 the Company instituted a program to catch up on distribution improvements in La Paz, which had been deferred due to inadequate rates. Although the national economy was affected during 1975 by the drop in the world price of tin, Bolivia's leading export, the country's future has brightened considerably due to the investment promotion which has been in progress the past three years, as described later in this report.

The Barbados Company

Although continuing to face the problem of rising operating costs brought on by worldwide inflation, the Company managed to report a year of positive accomplishment. Kilowatt-hour sales which had declined in 1974, returned almost to the 1973 level. The number of customers again showed a modest increase and net income rose 0.8 per cent. Construction of the 40,000 kilowatt steam plant at Spring Garden entered its final phase with commissioning planned for mid 1976. This plant should, for some years, ensure Barbados' industries, agriculture, tourism and the Island's general economic growth with a reliable electric power supply at a relatively reasonable cost. Tourism in

Salvador Management: Alfredo Luna, Controller; Kenneth Lyons, Chief Engineer; Manuel Cano, President; Lucio Burgos, Commercial Superintendent.

1975 again was affected by the economic problems. December bookings, however, showed an improving trend, and 1976 is expected to develop into a more profitable year.

The Mexico Company

During February 1975, a dividend of Cdn. $2.00 per share was paid on the Ordinary Stock of the Monterey Railway, Light and Power Company. Further dividends on the Ordinary Stock amounting to Cdn. $4.00 per share were subsequently paid, for a total of Cdn. $6.00 for the year 1975. The payment of dividends on the Ordinary Stock for the first time in the seventy-year history of the Company reflects the remarkable turnaround in the fortunes of the Company. The regular annual Preference Stock dividend of Cdn. $5.00 per share was declared at the September 1975 meeting of the Board of Directors. When the Company's public utility operation in Monterrey, Mexico, was sold to the Mexican Government in 1962, the Company's indebtedness amounted to $3,181,785, and arrears of interest that had not been paid or provided for, added $1,626,239, for a total indebtedness of $4,808,024. No dividend on the Cumulative Preference Stock had been paid since 1913. Now, the Company not only has a balance sheet virtually free from indebtedness, but almost all of the assets of the Company are represented by high quality External Sinking Fund Government of Mexico bonds, payable in U.S. dollars, and by portfolio positions in leading Mexican industrial enterprises. During the year further purchases of Government of Mexico bonds were made to comply with the reinvestment provisions of the sale of utility assets in 1962.

Bolivia Management: Carlos Bedregal, Division Manager — Oruro; Kenneth Auld, Controller; Carlos R. Mier, General Manager; Manuel Contreras, Division Manager — La Paz; Peter Williams, General Superintendent.

A Special "Thank You"

In expressing our appreciation to our C I Power people for their hard and effective works, we would like to extend an added "thank you" to the management and employees of the properties under negotiation for their continuing efforts to supply efficient customer service.

For the Board of Directors,

Wm. M. Hickey,
Chairman.

Eric H. Campbell,
President.

Montreal, Canada
April 9, 1976.

CI POWER SERVICES

C I Power Services, the management, engineering and purchasing subsidiary of Canadian International Power Company, can be said to cover a lot of ground — from the Yukon Territory in northwestern Canada to South America. C I Power Services has completed the conceptual design work for the 20,000 kilowatt extension of the Whitehorse Rapids hydro-electric plant in the Yukon and has provided other engineering services for Northern Canada Power Commission in the area. Consultores Occidentales, S.A. (COSA), the Venezuela subsidiary of C I Power Services, is engineering a 230 thousand volt cable to be installed on Lake Maracaibo's General Rafael Urdaneta Bridge linking the Government and CADAFE electric transmission network with the Maracaibo Company's power installations. C I Power Services' engineers are now completing their work on the 40,000 kilowatt steam plant for C I Power's Barbados Company and the two new 22,500 kilowatt gas-turbine units for the Maracaibo Company. Also an 87,000 kilowatt steam plant built to C I Power Services specifications is now on order for the Maracaibo Company. C I Power Services, as well as its sub-sidiaries, COSA and the recently formed Bolivian company, SUDCON, has a variety of projects on the drawing boards and under the supervision of field engineers.

COSA Engineers — General Rafael Urdaneta Bridge, Maracaibo, Venezuela.

The burgeoning city of La Paz nestles in the shadow of Mount Illimani.

GROWTH ECONOMIES

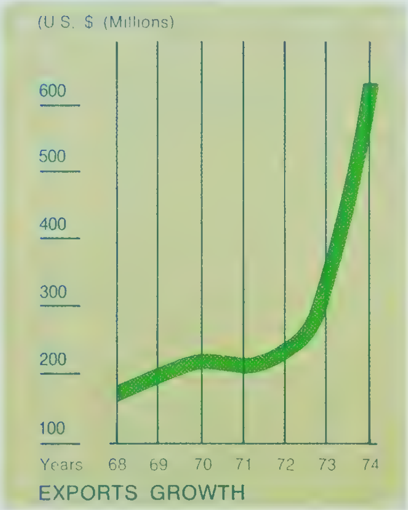

TODAY'S
BOLIVIA
Lumber
Lumber
Cattle
Agriculture
Peru
Mining
Rice
Cattle
Brazil
Oil
Cotton
Lumber
Cattle
Mining
South America
Bolivia
Chile
Paraguay
Salt
Pacific Ocean
Argentina

In the past five years both Latin American and Caribbean countries have shown impressive market growth. Venezuela, Bolivia, El Salvador and Barbados, the countries where C I Power electric utilities operate, have shared in this growth for various political and economic reasons, particularly the maintenance of a stable government structure. Previous reports have shown this growth story in other countries. This year features Bolivia, which promises to become one of the more improved economies in Latin America. Recent evidence of this will be found in the following brief report on "Today's Bolivia".

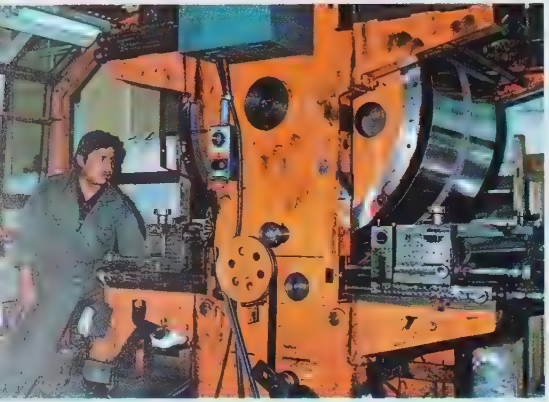
The Country

Bolivia is a South American republic, inhabited by more than five and a half million people of Indian and Spanish origin. It is located approximately in the center of the continent (see map). Essentially a mining country, Bolivia, in recent years, has begun to develop its oil and gas reserves. Often thought of as exclusively a country of high mountains, the Andes and the lofty Andean Plateau, Bolivia actually consists of widely varied terrain. Only 17 per cent of its total area is mountainous, only 13 per cent hilly, while some 70 per cent is flat land, either plains or tropical and sub-tropical areas. Bolivia has encouraged foreign investors as well as its own financial, industrial and business community to start new enterprises and, thereby, assist in the country's economic stability.

Over the past four years there has been a considerable increase in per capita income. Monetary reserves have shown growth. The country had an inflation rate of 6 per cent in 1975. External financing has been made available from the World Bank, the Inter-american Development Bank and similar agencies, and also from international private bank syndicates. In 1975 a record of $400 million in external financing was received from these different sources. The Exports graph shows the growth in exports from 1968 through 1974. Though the recent drop in the world price of tin affected exports in 1975 and may continue to do so in the immediate future, the Bolivian banking fraternity believes this reduction will be counteracted by the investment efforts of the past three years in a more diversified economy.



Truck body welding operation in new La Paz industrial area



Forming galvanized roofing sheets in upper La Paz plant

Basic Resources: Minerals

The mineral wealth of Bolivia has been an acknowledged fact since Pizarro's Spanish explorers first discovered the silver lining of the Andes. Silver and later tin have continued to represent the country's leading resource through the years. Yet mining has been confined to the Andes sector with relatively little attempts made to develop other resources. The Government has put into operation extensive smelting facilities and wider mineral exploration, including a study of a possible steel industry in eastern Bolivia. Sulphur deposits have been found in the west near the Chilean border. Antimony, lead and zinc deposits, as well as copper, have been and are being developed in the west and north, and there are indications of further mineral wealth in the northwest.

Basic Resources: Oil and Gas

Bolivia has a high potential of oil and gas reserves, more than 100 million acres of sedimentary basins. Recently, the country has been able to export nearly 60 per cent of its oil production of 50,000 barrels per day. As only a quarter of the potential petroleum reserve was explored, fourteen major

Pressing local wood into plywood

oil companies are presently working on a joint venture with the Government, searching for new finds.

Agricultural Development

A high proportion of Bolivia's land area is suitable for agriculture and live-stock breeding. Now, with available financing, increased imports of equip-ment and some $500 million in new and improved roads, it is expected that agriculture will become one of the country's most important forms of production. The same applies to cattle raising. An institution of the Government is working with both foreign and local concerns to develop the large acreage considered useful for cattle ranching.

Presently, major agricultural exports are cotton, sugar, rubber, cacao and soy beans. The new and improved roads are making it possible to export increasing amounts of sawed board and wood to neighbouring countries and Europe from Bolivia's timberland.

Industrial Progress

As pictured on these pages, Bolivia is expanding with the aid of foreign investors, in many industrial areas, from truck body building to textiles, from pharmaceuticals to tin smelters. A pro-jected petro-chemical complex is planned to be located near La Paz and supplied by natural gas, transported from the Santa Cruz area east of the mountains.

Packaging pharmaceutical products for local distribution in La Paz.

Another project is planned to generate electrical energy and develop agricultural products through flood control of the Beni River. Bolivia is a member of the Andean Pact countries, the Latin American Free Trade Association (LAFTA), the Tripartite Agreement between Uruguay, Paraguay and Bolivia (URUPABOL) and the Association of the River Plate Countries (Bolivia, Brazil, Argentina, Paraguay, Uruguay). So the country now has increased business and trade potentialities with the other Latin American countries.

Creating colorful blankets in native design in La Paz textile plant.

New tin and antimony smelter in Oruro.

The Future

Bolivia's resources, so many of which have yet to be developed, suggest an ever expanding growth for this country of high mountains, wide plains and fertile farmlands. Yet such growth requires social tranquility, political and economic stability, and a pragmatic approach to investment, whether local or foreign. Through sustained efforts in these directions Bolivia will achieve its potential.

CANADIAN INTERNATIONAL POWER COMPANY LIMITED

BOARD OF DIRECTORS

*Eric H. Campbell,
Montreal, President,
Canadian International Power Company Limited

**Leo F. Daley,
Boston, Member, Honorary Advisory Board,
Smith Barney, Harris Upham & Co. Incorporated

* **William R. Eakin,
Montreal, Chairman, Board of Governors,
McGill University

Alan S. Gordon,
Montreal, Consultant,
Merrill Lynch, Royal Securities Limited

*William M. Hickey,
New York, Chairman,
The United Corporation

**John R. Hughes,
Montreal, Director,
Maritime Electric Company, Limited

*Alejandro J. Lara,
Caracas, Venezuela, President,
Fiveca, S.A., and Banco Royal Venezolano, S.A.

Harold W. Smith,
Waterbury, Connecticut, President,
First Federal Savings and Loan Association of Waterbury

Richard Joyce Smith,
New York, Partner, Whitman & Ransom,
Attorneys-at-Law, Trustee, New York, New Haven and Hartford Railroad Company, In Reorganization

*Morley P. Thompson,
Cincinnati, Ohio, President,
D. H. Baldwin Company

**Members of the Executive Committee*
***Members of the Audit Committee*

OFFICERS

William M. Hickey (1943),
Chairman of the Board, Chairman of the Executive Committee

Morley P. Thompson (1975),
Vice-Chairman of the Board

Eric H. Campbell (1936),
President

Frederic J. Ahern (1951),
Vice-President and Secretary

Manuel Cano G. (1936),
Vice-President

Alfred E. Houghton (1958),
Vice-President — Engineering

Guy-Paul Massicotte (1976),
Vice-President — Law

David C. Mitchell (1953),
Vice-President — Operations

Richard G. Munro (1974),
Vice-President and Treasurer

John H. Nelson (1955),
Vice-President

Jean van Tongelen (1964),
Vice-President

P. Declan O'Sullivan (1958),
Assistant Vice-President

Henning J. Porsaa (1957),
Assistant Treasurer

SENIOR PERSONNEL

Franklin P. Krug (1955),
Manager — Administration

James J. Dealy (1970),
Manager — Corporate Development

J. Stewart Walford (1973),
Internal Auditor

Cesidio Mariani (1975),
Assistant Controller

EXECUTIVES OF OPERATING COMPANIES

Venezuela:

Jean van Tongelen (1964),
President, Venezuela Operating Companies

Dr. Felix Otamendi O. (1963),
Vice-President and General Manager,
Barquisimeto and Carora Companies

Dr. Alfredo Anzola M. (1972),
President, Inversiones Indesven, S.A.

Bolivia:

Bruce F. Junkin (1947),
President

Carlos R. Mier (1947),
General Manager

El Salvador:

Manuel Cano G. (1936),
President and General Manager

Barbados:

John H. Nelson (1955),
Managing Director

Bermuda:

John Kazakoff (1938),
President and General Manager

(Dates indicate year of first employment with associated companies)

OFFICE

2020 University Street
Montreal, Quebec, Canada. H3A 2A5
Telephone: Area Code: 514 285-1414

REGISTRARS

Montreal Trust Company
1 Place Ville Marie
Montreal, Quebec, Canada.

The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, N.Y.

AUDITORS

Arthur Young, Clarkson, Gordon & Co.
630 Dorchester Boulevard West
Montreal, Quebec, Canada.

TRANSFER AGENTS

Montreal Trust Company

1695 Hollis Street
Halifax, Nova Scotia,

1 Place Ville Marie
Montreal, Quebec,

15 King Street West
Toronto, Ontario,

Notre Dame at Albert Street
Winnipeg, Manitoba,

8th Avenue at 3rd Street
Calgary, Alberta,

466 Howe Street
Vancouver, British Columbia.

First National City Bank
55 Wall Street, New York, N.Y.

138 thousand volt switching station, Maracaibo

CI POWER SERVICES LIMITED

BOARD OF DIRECTORS

Eric H. Campbell
William R. Eakin
Alan S. Gordon
L. Karl Hinds
Alfred E. Houghton
John R. Hughes
Franklin P. Krug
Paul J. Smyth
Victor N. Tomaschuk

OFFICERS

Eric H. Campbell (1936),
Chairman of the Board

Alfred E. Houghton (1958),
President

Victor N. Tomaschuk (1957),
Vice-President and Chief Mechanical Engineer

L. Karl Hinds (1966),
Chief Engineer — Operations and Administration

Allan J. MacDonald (1966),
Chief Electrical Engineer

Bernard V. King (1970),
Chief Civil Engineer

Richard G. Munro (1974),
Treasurer

Lucie Mattiucci (1962),
Secretary

SENIOR PERSONNEL

Gunther Lutz (1959),
Operations Co-ordinator

C. D. G. Pearson (1960),
Manager, Management Services

Michael F. Howden (1963),
Purchasing Agent

Andrew M. Ottolenghi (1974),
Manager, Rates and Valuation

CONSULTORES OCCIDENTALES, S.A.

Paul J. Smyth (1959),
President

Jean Marc Rieffel (1960),
Director — Engineering

Edgar A. Arrieta (1970),
Director — Construction

COMPAÑIA SUDAMERICANA DE CONSULTORIA, S.A.

Gonzalo Montenegro (1975),
President

(Dates indicate year of first employment with associated companies)

C I Power Services' engineers shown on location at Spring Garden, Barbados checking construction operations at the new 40,000 kilowatt steam plant. Below, two of their associates solving a steam plant design problem in Montreal headquarters.

CANADIAN INTERNATIONAL POWER COMPANY LIMITED

FINANCIAL STATEMENTS 1975

The Annual General Meeting of Shareholders of Canadian International Power Company Limited will be held on Friday, May 14, 1976 at 10:30 a.m. (Eastern Daylight Saving Time), at the Ritz-Carlton Hotel, 1228 Sherbrooke St. West, Montreal, Quebec, Canada.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1975 AND 1974

(expressed in United States currency)

ASSETS

	1975	1974
Property, plant and equipment (note 4):		
Production	$174,480,000	$165,585,000
Transmission and distribution	165,370,000	153,152,000
Other	19,863,000	21,037,000
	359,713,000	339,774,000
Less accumulated depreciation	71,535,000	66,699,000
Net property, plant and equipment	288,178,000	273,075,000
Investments and other assets (note 5)	15,355,000	12,810,000
Current assets:		
Cash	2,496,000	2,341,000
Bank term deposits payable in U.S. dollars	26,515,000	26,363,000
Other term deposits	602,000	735,000
Accounts receivable	16,068,000	16,632,000
Materials and supplies, at cost	11,254,000	11,716,000
Prepaid expenses	750,000	614,000
Total current assets	57,685,000	58,401,000
Deferred charges	485,000	1,688,000
	$361,703,000	$345,974,000

On behalf of the Board:

Hm. M. Hickey, Director

, Director

See accompanying notes

SHAREHOLDERS' EQUITY AND LIABILITIES

	1975	1974
Shareholders' equity:		
Capital stock (note 6)		
Preferred	$ 4,701,000	$ 5,200,000
Common	17,692,000	17,646,000
	22,393,000	22,846,000
Appraisal increment to property, plant and equipment (note 4)	71,438,000	71,438,000
Retained earnings (note 11)	164,723,000	157,203,000
Total shareholders' equity	258,554,000	251,487,000
Minority interest in subsidiary companies	14,323,000	14,660,000
Long-term debt (note 7)	40,896,000	41,677,000
Current liabilities:		
Bank loans	11,030,000	5,005,000
Accounts payable	11,069,000	10,013,000
Customers' deposits, including interest thereon	1,947,000	1,690,000
Income taxes payable	5,198,000	4,971,000
Dividends payable	2,163,000	1,859,000
Long-term debt, due within one year	9,515,000	9,666,000
Total current liabilities	40,922,000	33,204,000
Employees' service and severance indemnities (note 9)	3,518,000	1,909,000
Provision for contingencies	641,000	641,000
Customers' contributions for line extensions	2,849,000	2,396,000
	$361,703,000	$345,974,000

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

years ended December 31, 1975 and 1974
(expressed in United States currency)

	1975	1974
Balance, beginning of year	$157,203,000	$148,709,000
Add:		
Net income	15,693,000	15,573,000
Discount less expenses on Preferred Shares purchased (note 6)	171,000	76,000
	173,067,000	164,358,000
Deduct:		
Preferred Share dividends (per share — Cdn. $1.04 in 1975 and Cdn. $1.04 in 1974)	269,000	302,000
Common Share dividends (per share — $1.39 in 1975 and $1.18 in 1974)	8,075,000	6,853,000
	8,344,000	7,155,000
Balance, end of year (note 11)	$164,723,000	$157,203,000

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME

years ended December 31, 1975 and 1974
(expressed in United States currency)

	1975	1974
Operating revenue	$100,658,000	$ 88,892,000
Operating revenue deductions:		
Operating and maintenance expenses	60,572,000	52,058,000
Taxes (note 8)		
Income	9,082,000	7,784,000
Other	2,794,000	2,584,000
Provision for depreciation (note 4)	10,749,000	10,000,000
	83,197,000	72,426,000
Operating income	17,461,000	16,466,000
Investment income	3,423,000	3,977,000
Gross income	20,884,000	20,443,000
Income deductions:		
Interest expense — long-term debt	4,086,000	4,180,000
— other	1,051,000	682,000
Interest charged to construction — credit	(1,175,000)	(1,215,000)
Minority interest	1,229,000	1,223,000
	5,191,000	4,870,000
Net income	$ 15,693,000	$ 15,573,000
Earnings per Common Share (note 6)	$2.66	$2.63

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

years ended December 31, 1975 and 1974
(expressed in United States currency)

	1975	1974
Source of funds:		
Current operations —		
Net income	$ 15,693,000	$ 15,573,000
Charges against income not involving the use of funds in the current period:		
Provision for employees' indemnities	1,382,000	746,000
Depreciation	10,749,000	10,000,000
Minority interest	1,229,000	1,223,000
Working capital provided from operations	29,053,000	27,542,000
Deferred charges	1,455,000	792,000
Additional borrowings — long-term debt	7,291,000	13,447,000
Net sale of subsidiaries' shares to minority shareholders	—	73,000
Proceeds on issue of capital stock	46,000	—
Customers' contributions for line extensions	453,000	264,000
	38,298,000	42,118,000
Application of funds:		
Additions to property, plant and equipment	27,864,000	20,887,000
Less proceeds from disposals	652,000	1,652,000
	27,212,000	19,235,000
Dividends paid	8,344,000	7,155,000
Reduction of long-term debt	7,945,000	7,807,000
Additions to investments and other assets	1,291,000	499,000
Dividends paid by subsidiaries to minority shareholders	823,000	631,000
Purchase for cancellation of 5.2% Preferred Shares	328,000	230,000
Reduction of working capital net of proceeds on sale of interest in a subsidiary previously consolidated	789,000	—
	46,732,000	35,557,000
Increase (decrease) in working capital	(8,434,000)	6,561,000
Working capital, beginning of year	25,197,000	18,636,000
Working capital, end of year	$ 16,763,000	$ 25,197,000

See accompanying notes

	1975	1974
Changes in components of working capital:		
Increase (decrease) in current assets —		
Cash	$ 155,000	$ (2,794,000)
Bank term deposits payable in U.S. dollars	152,000	4,096,000
Other term deposits	(133,000)	216,000
Accounts receivable	(564,000)	1,352,000
Materials and supplies, at cost	(462,000)	4,345,000
Prepaid expenses	136,000	123,000
	(716,000)	7,338,000
Increase (decrease) in current liabilities —		
Bank loans	6,025,000	(1,037,000)
Accounts payable	1,056,000	2,339,000
Customers' deposits, including interest thereon	257,000	165,000
Income taxes payable	227,000	610,000
Dividends payable	304,000	291,000
Long-term debt, due within one year	(151,000)	(1,591,000)
	7,718,000	777,000
Increase (decrease) in working capital	$ (8,434,000)	$ 6,561,000

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1975 AND 1974

1. *Significant Accounting Policies:*

(a) *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and all its subsidiaries. Investments in other companies, details of which are set out in note 5, are carried at cost, with the exception of an effectively controlled company which is carried on the equity basis.

(b) *Property, Plant and Equipment*

It is the policy of the Company when indicated to have the properties of the electric utility subsidiary Companies appraised and to record appraisal increments in the accounts. By the adoption of this practice, the major properties of the Company are carried at approximately current values. Depreciation provisions charged to income are based upon the value of assets including appraisal increments.

Based on appraisals of the electric companies in Venezuela and Barbados, the assets are stated on a basis of reproduction-cost-new less observed depreciation at the dates of the appraisals. Property acquired in these subsidiaries subsequent to the appraisals and assets of the other subsidiaries have been recorded at cost. Provision for depreciation on all assets including appraisal increments is computed in the accounts principally on a straight line basis at rates required to amortize the asset values over the estimated service lives of the assets. The percentage relationship between the annual provisions for depreciation and the average gross book value of depreciable property was 3.1% for 1975 and 3.0% for 1974.

(c) *Translation of Foreign Currencies*

Assets and liabilities, except for property, plant and equipment, have been translated into U.S. dollars at rates prevailing at the balance sheet dates. Property, plant and equipment have been translated at rates prevailing at the time of acquisition or in the case of appraisals at rates prevailing at the dates when appraisals were made. The items in the statements of income are translated at the average rates of exchange prevailing during the years, except for depreciation, which is translated at the same rates as used for the related assets. Unrealized gains or losses on translation are deferred.

(d) *Employees' Service and Severance Indemnities and Pension Plans*

Venezuela and Bolivia

The Companies account for the current year's costs of employees' service and severance indemnities on an accrual basis. This policy results in the creation of a provision which would only be required in the unlikely event of complete separation of all employees. Credits to this provision have reduced net income and earnings per share by $815,000 and $0.14 respectively in 1975 and $395,000 and $0.07 respectively in 1974.

Other Countries

The liability arising for past service benefits under pension plans established in other countries is charged to income over periods varying from ten to twenty-eight years from dates of the actuarial valuations.

2. *Summary of assets, liabilities, operating revenue and net income of the companies by location — Thousands of U.S. dollars*

	Venezuela	Bolivia	El Salvador	Barbados	Mexico	Bermuda	Canada	Total
Property, plant and equipment	$217,377	$61,385	$28,396	$52,340	$ —	$ 3	$ 212	$359,713
Less: Accumulated depreciation	40,302	14,335	8,184	8,607	—	2	105	71,535
	177,075	47,050	20,212	43,733	—	1	107	288,178
Investments and other assets and deferred charges	2,220	1,459	658	724	6,938	19	3,822	15,840
Current assets	17,891	3,473	4,511	3,965	1,933	21,202	4,710	57,685
	197,186	51,982	25,381	48,422	8,871	21,222	8,639	361,703
Current liabilities	26,899	1,671	4,676	3,999	153	41	3,483	40,922
Long-term debt	17,486	5,816	—	17,594	—	—	—	40,896
Provision for contingencies, customers' contributions for line extensions and service and severance indemnities	2,246	1,759	46	2,626	331	—	—	7,008
Minority interest	4,592	217	2,365	6,066	865	—	218	14,323
	51,223	9,463	7,087	30,285	1,349	41	3,701	103,149
NET ASSETS	$145,963	$42,519	$18,294	$18,137	$7,522	$21,181	$4,938	$258,554
	*141,979	*41,646	*17,742	*17,137	*7,280	*21,138	*4,565	*251,487
OPERATING REVENUE	$ 54,809	$ 7,458	$24,032	$14,177	$ —	$ —	$ 182	$100,658
	* 52,085	* 5,145	*19,481	*12,101	* —	* —	* 80	* 88,892
NET INCOME	$ 10,267	$ 1,772	$ 1,493	$ 1,218	$ 447	$ 1,486	$ (990)	$ 15,693
	* 10,063	* 1,165	* 1,288	* 1,114	* 398	* 2,234	* (689)	* 15,573
PERCENT OF NET INCOME	65%	11%	9%	8%	3%	10%	(6%)	100%
	* 65%	* 7%	* 8%	* 7%	* 3%	* 14%	* (4%)	* 100%

*Comparative Figures for 1974.

3. *Venezuelan Negotiations*

Negotiations with the Venezuelan Government on the disposition of the Company's utility subsidiaries in that country continued with a new Government Minister of State who has been encharged with the negotiations.

On the question of price, the Company proposed a compromise, based on the average of original cost of the assets and their replacement value after deduction of depreciation, as against original cost proposed by the Government and the Company's original position of replacement cost. Present indications are that the price could be between the Company's proposal and original cost. The ultimate tax consequences on such a price are difficult to determine, but could be not insubstantial.

At further meetings held with the Government representatives, the basis for sale discussed was acquisition by an agency of the Government of the capital shares of the Venezuelan utility subsidiaries. To date, no final agreements have been approved and management is unable to assess the exact effect on the Company. However, the difference between the amount of the revalued assets per the Balance Sheet and the price eventually received, less applicable taxes, would be charged to Income as an extraordinary item and the part of the Appraisal Surplus relating to Venezuela ($60,746,000) would be transferred to Retained Earnings.

On October 14, 1975, the Maracaibo utility subsidiary was officially notified by the Municipality of the District of Maracaibo that its franchise would not be renewed on expiry in January 1977 and that its properties would be acquired by the said Municipality. This development has not affected the ongoing negotiations with the Federal Government.

4 *Property, Plant and Equipment*

Venezuela

In accordance with the Commercial Code of Venezuela and an appraisal by International Middle West Service Company of Chicago, as at December 31, 1971, the properties of the four Venezuelan electric subsidiaries have been stated on a basis of reproduction-cost-new less observed depreciation. Additions from January 1, 1972 are at cost.

When depreciable property is retired, the portion of the carrying value represented by original cost less applicable accumulated depreciation is charged to operating revenue and the portion of the carrying value represented by the appraisal increment is charged to accumulated depreciation.

Bolivia

Properties are presently stated at cost in dollars. When depreciable property is retired, the gross book value less proceeds is charged to accumulated depreciation.

El Salvador

Properties are stated at cost. When depreciable property is retired, the portion of the carrying value represented by original cost less accumulated depreciation is charged to operating revenue.

Barbados

Based on appraisal by International Middle West Service Company as at December 31, 1972, property, plant and equipment have been stated on the basis of reproduction-cost-new less observed depreciation. Additions since January 1, 1973, are recorded at cost.

When depreciable property is retired, the gross book value is charged to accumulated depreciation.

The increases resulting from the revaluation of the Venezuelan and Barbados properties (less the portion applicable to minority interests) are shown on the balance sheets as "Appraisal increment to property, plant and equipment".

5 *Investments and Other Assets*

		1975	**1974**
Nacional Financiera — 6½% promissory notes due semi-annually to January 15, 1977	$1,146,000		
Less amounts due within one year	752,000	$ 394,000	$ 1,146,000
Government of Mexico — 6½% to 10% external sinking fund bonds due from 1980 to 1997 in principal amounts of $4,080,000 (1974 — $3,036,000)		3,858,000	2,885,000
Aluminio, S.A. de C.V., Mexico — 464,000 common shares — 4.6% of share capital		1,998,000	1,998,000
7½% debentures, due February 1980 in the principal amount of $100,000 (1974 — $120,000)		74,000	93,000
Fundidora de Monterrey, S.A. — 21,489 common shares — 0.3% of share capital		196,000	196,000
7% convertible debentures, due July 1984 in the principal amount of $305,000 (1974 — $316,000)		296,000	307,000

5. *Investments and Other Assets (continued)*

		1975	1974
Norcen Energy Resources Limited — 19,000 preference shares — 1.5% of issued shares of series B	463,000		
287,100 common shares — 1.5% of issued shares	3,273,000	3,736,000	3,736,000
Fiveca, S.A., Caracas, Venezuela, — 36,800 common shares — 15.3% of share capital		1,589,000	1,278,000
Banco Hipotecario Venezolano, C.A., Caracas, Venezuela — 8,208 common shares — 5.1% of share capital		486,000	450,000
Metalúrgica Eléctro-Industrial, C.A.* — 1,228 common shares — 40.9% of share capital — Cost	613,000		
— Equity participation	641,000	1,254,000	—
Government accounts receivable contracted to be repaid from 1977 to 1982		581,000	544,000
Note receivable repayable in instalments to 1980		524,000	—
Other		369,000	177,000
		$ 15,355,000	$ 12,810,000
Estimated market value		$ 17,000,000	$ 14,000,000

*In 1974, the Company held a 69.9% interest in Metalúrgica Eléctro-Industrial, C.A. (MEICA), and accordingly consolidated the accounts of this company. In 1975, the Company reduced its holding to 40.9% and therefore is accounting for this investment on the equity basis.

6. *Capital Stock*

Preferred Stock

Preferred shares of the par value of Cdn. $20 each, issuable in series, of which 350,000 shares were designated as 5.2% Cumulative Redeemable Preferred shares, 1965 Series —

	1975	1974
Authorized shares, less redeemed	1,903,153	1,930,075
Issued shares	253,153	280,075
Carrying value	$4,701,000	$5,200,000

The Company is required to purchase for cancellation each year preferred shares in an amount not less than Cdn. $70,000. During the year, 26,922 shares having an aggregate par value of Cdn. $538,000 (U.S. $499,000) were purchased and cancelled.

The 1965 series are redeemable at the option of the Company at Cdn. $20.40 plus any unpaid preferential dividends.

Common Stock

At a Special General Meeting held on May 16, 1975, the Shareholders authorized a change in the capital structure of the Company. The Company's previously authorized Common Shares were reclassified as Class A Convertible Common shares and the authorized number of shares was increased to 8,000,000. In addition, the Shareholders authorized the creation of 8,000,000 Class B Convertible Common

shares. The aggregate authorized value of the common shares is not to exceed $26,000,000 and the A and B shares are freely convertible from one to the other.

	1975			1974
	Class A	Class B	Total	
Authorized shares	8,000,000	8,000,000	16,000,000	6,250,000
Issued shares	5,470,423	341,467	5,811,890	5,808,140

Under a Stock Option Plan for officers and key employees of the Company and its subsidiaries, a maximum of 250,000 common shares were reserved for issue at a price which cannot be less than 100% of the fair market value at the date of grant. In 1975 options for 3,750 shares were exercised for an amount of Cdn. $47,250. Certain options expired during the period and became available for issue by new grant. No options were granted in 1975. There were outstanding and exercisable at December 31, 1975, options on 71,500 shares (including 24,500 shares granted to directors and officers) having an aggregate option price of Cdn. $908,000 leaving 174,750 shares available for future grants.

Details of common shares under option as at December 31, 1975 are as follows:—

Number of Shares	Option price per Share	Expiry Date of Option
52,500	Cdn. $12.60	February 7, 1978
2,500	Cdn. $13.13	April 5, 1978
5,000	Cdn. $14.06	May 9, 1978
2,000	Cdn. $17.00	May 8, 1979
5,000	Cdn. $12.00	April 18, 1979
2,000	Cdn. $10.97	May 16, 1979
2,500	Cdn. $10.97	May 16, 1984

Earnings per common share were determined by dividing the number of common shares outstanding during each year into net income less preferred share dividends. There would be no material dilution of such earnings per common share if all stock options were exercised.

7. *Long-Term Debt*

	1975	1974
Venezuela		
10% bonds due in instalments to 1978*	$ 3,453,000	$ 4,547,000
8.6% notes due in instalments to 1979	1,050,000	1,350,000
10½% bank loans due in instalments to 1979*	3,502,000	4,414,000
5% and 6.3% bank loans payable in Swiss francs due in semi-annual instalments to 1981	6,508,000	8,315,000
10% notes due in semi-annual instalments to 1978*	837,000	1,116,000
10% notes due in semi-annual instalments to 1978	1,104,000	773,000
6% equipment notes due in semi-annual instalments to 1982	2,462,000	3,155,000
The Royal Bank of Canada loan due in semi-annual instalments to 1979 at London Interbank rate plus 1% (which at December 31, 1975 was 9¼%)	5,250,000	6,000,000
The Royal Bank of Canada loan due in instalments to 1980 at London Interbank rate plus 1% (which at December 31, 1975 was 9¼%).	900,000	1,000,000
Other	193,000	446,000
	25,259,000	31,116,000

Bolivia		
5½% loan from International Development Association through the Bolivian Government due in semi-annual instalments to 1989*	3,704,000	3,961,000
6% and 8% loan payable in Canadian dollars to Export Development Corporation due in semi-annual instalments to 1983	1,604,000	1,866,000
Equipment notes with interest from 6.7% to 8½% due in varying instalments to 1978	597,000	896,000
Other	490,000	490,000
	6,395,000	7,213,000
Barbados		
8½% loan payable in Canadian dollars to Export Development Corporation due in semi-annual instalments from 1977 to 1985	7,850,000	2,548,000
7% loan from Lloyds Bank guaranteed by Export Credit Guarantee Department payable in pounds sterling from 1976 to 1983	3,491,000	1,387,000
8½% and 9¼% debentures payable to Commonwealth Development Corporation in pounds sterling to 1990	3,062,000	3,531,000
10½% bank loan due 1981*	1,500,000	1,471,000
9½% debentures due 1989 to 1993*	1,400,000	1,349,000
Equipment notes with interest from 5½% to 8½% payable in pounds sterling to 1981	813,000	1,362,000
7% Lloyds Bank loan in pounds sterling due 1975	—	630,000
Other	641,000	736,000
	18,757,000	13,014,000
	50,411,000	51,343,000
Less amounts due within one year included in current liabilities	9,515,000	9,666,000
	$40,896,000	$41,677,000

*Repayable in the currency of the country

Long-term debt secured by charges against property, plant and equipment totalled $18,874,000 ($14,011,000 in 1974).

The aggregate amounts of long-term debt maturing after December 31, 1976 are as follows:—

Year	Amount
1977	$ 9,405,000
1978	8,901,000
1979	5,112,000
1980	3,898,000
Subsequently	13,580,000
	$40,896,000

8. *Income Taxes*

All of the countries in which the subsidiaries operate, except Bermuda, impose withholding taxes upon cash dividends paid to the Company. It is a policy of the Company to pay cash dividends out of current year's earnings of subsidiaries in

excess of amounts required for reinvestment. Substantially all undistributed earnings are reinvested in the subsidiaries, and consequently, no provision is made for withholding taxes on the reinvested earnings.

Income taxes have been reduced by $2,570,000 (1974 — $1,743,000) as a result of credits permitted under income tax laws for investments in property, plant and equipment in Barbados and Venezuela.

9 *Employees' Service and Severance Indemnities and Pension Plans*

Venezuela

Employees' service and severance indemnities were charged to income when paid each year until December 31, 1973. For 1974 and subsequent years, the current year's costs are charged to income on an accrual basis. The amount charged to income in 1975 was $2,499,000 (1974 — $1,782,000).

The unrecorded balance as at December 31, 1975 was $4,375,000, which if paid, will give rise to tax credits of approximately $2,056,000 and will be charged to income net of applicable income taxes over a period of four years.

Bolivia

Employees' service and severance indemnities were charged to income when paid each year until December 31, 1973. For 1974 and subsequent years, the current year's costs are charged to income on an accrual basis. The amount charged to income in 1975 was $298,000 (1974 — $78,000).

The unamortized balance as at December 31, 1975 was $1,402,000, which amount will be charged to income over a period of five years.

El Salvador

A pension plan incorporating past service benefits was established in 1967. Contributions by the employees and the Company are to be used for the payment of pensions or severance indemnities, at the option of the employee. An actuarial valuation of the plan indicated a deficiency with respect to past service benefits of approximately $409,000 at August 15, 1969. The Company's contributions include an amount that will be sufficient to amortize this deficiency over a period of not more than twenty-eight years from the date of the actuarial valuation.

Barbados

In October 1971, the non-contributory pension plan for senior staff was converted into a funded plan. An actuarial valuation indicated a deficiency with respect to past service benefits of approximately $305,000 at December 31, 1973. This deficiency will be amortized by equal annual payments over six years from that date.

Canada

Based on actuarial valuation of the employees' pension plan on December 31, 1973, no deficiency existed.

10. *Remuneration of Directors and Officers*

During the year, the Company had thirteen Directors and fifteen Officers, four of whom were also Directors.

Aggregate remuneration paid by the Company and its subsidiaries to Directors and Officers of the Company, including past Directors and past Officers, was as follows:-

	To Directors		To Officers	
	1975	**1974**	**1975**	**1974**
Canadian International Power Company Limited	$ 64,000	$ 62,000	$384,000	$267,000
Subsidiary Companies	8,000	8,000	276,000	220,000
	$ 72,000	$ 70,000	$660,000	$487,000

11 *Legal Reserves*

In Venezuela and El Salvador, the Company is required to appropriate a percentage of its earnings as a general reserve designated "legal reserve". The amount in each subsidiary is determined through the operation of law in the jurisdiction concerned. The total amount of "legal reserves" included in Retained Earnings was $9,569,000 at December 31, 1975 ($1974 — $8,885,000).

12. *Anti-Inflation Program*

Under the Anti-Inflation Act and Regulations effective as of October 14, 1975, the Company and one of its subsidiaries are subject to compliance with controls on dividend increases.

AUDITORS' REPORT

To the Shareholders of

Canadian International Power Company Limited:

We have examined the consolidated balance sheets of Canadian International Power Company Limited and subsidiary companies as at December 31, 1975 and 1974 and the consolidated statements of income, retained earnings and changes in financial positions for the years then ended. Our examination of the financial statements of Canadian International Power Company Limited, and those subsidiary companies of which we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of other public accountants with respect to their examination of the financial statements of the subsidiary located in Barbados, whose financial statements are summarized in note 2.

As described in note 3, negotiations are continuing with the Government of Venezuela on the disposition of the Company's utility properties in that country. The exact effect which this matter may have on the financial position of the Company cannot be determined at this time.

In our opinion these consolidated financial statements present fairly the results of operations and changes in financial positions of the companies for the years ended December 31, 1975 and 1974 and, subject to such adjustment as may result from the outcome of the negotiations described in the preceding paragraph, the financial positions at December 31, 1975 and 1974, in accordance with generally accepted accounting principles applied on a consistent basis during the two years.

Arthur Young, Clarkson, Gordon & Co.

Montreal, Canada,
March 12, 1976, except for note 3
as to which the date is March 31, 1976.

Chartered Accountants

OPERATING STATISTICS

	1975	1974	1973
Generating Capacity at December 31 (Installed Kilowatts):			
Hydro	144,435	144,435	116,435
Diesel	87,059	91,566	91,566
Steam	240,100	240,100	240,100
Gas Turbine	269,350	262,480	242,380
	740,944	738,581	690,481
Purchased Kilowatts (under contracts)	183,447	124,689	124,886
	924,391	863,270	815,367
Kilowatt-hour sold (thousands)	2,961,756	2,730,179	2,602,486
Operating Employees at December 31	2,520	2,424	2,395
Number of Electric Customers served at December 31	554,009	521,907	502,186

FINANCIAL STATISTICS

(Thousands - except per share)

	1975	1974	1973
Operating Revenue	$ 100,658	$ 88,892	$ 75,776
Operating Expenses	60,572	52,058	40,325
Interest Expense	5,137	4,862	4,047
Income Taxes	9,082	7,784	7,628
Net Income	15,693	15,573	15,283
Net Income per Common Share	2.66	2.63	2.58
Montreal Stock Exchange Trading Range(2) — High	15	13½	14
— Low	10¾	9½	11½
Dividends on Common Stares	8,075	6,853	6,040
Dividends per Common Share(3)	1.39	1.18	1.04
Common Shares Outstanding(3)	5,812	5,808	5,808
Capital and Replacement Expenditures for Property, Plant and Equipment	27,864	20,887	24,207
Fixed Capital Account — Property, Plant and Equipment at December 31	359,713	339,774	324,329

NOTES
(1) After extraordinary item of $700,000
(2) Quoted in Canadian dollars
(3) Adjusted for 2-1 stock split in 1972 and 5-4 stock split in 1968

	1972	1971	1970	1969	1968	1967	1966
	116,435	117,035	117,035	117,035	92,735	92,735	92,735
	91,566	92,342	83,755	83,755	75,805	72,561	58,307
	240,100	240,100	240,100	240,100	240,500	240,500	240,500
	196,150	143,600	141,650	106,550	76,350	61,350	47,600
	644,251	593,077	582,540	547,440	485,390	467,146	439,142
	115,212	102,457	94,418	87,843	78,027	73,889	66,725
	759,463	695,534	676,958	635,283	563,417	541,035	505,867
	2,357,002	2,178,416	2,020,873	1,836,530	1,658,190	1,503,931	1,361,225
	2,362	2,264	2,199	2,167	2,151	2,065	1,995
	478,090	452,738	430,034	406,062	386,200	363,990	342,628

	1972	1971	1970	1969	1968	1967	1966
	$ 68,395	$ 60,488	$ 56,105	$ 48,869	$ 44,256	$ 40,492	$ 36,535
	35,598	30,506	26,654	22,100	19,647	18,183	16,185
	3,570	3,012	2,702	2,352	2,461	1,678	973
	7,257	6,022	5,663	5,427	4,710	4,156	4,558
	15,087	12,641 (1)	14,400	13,530	12,419	11,691	11,201
	2.54	2.14 (1)	2.42	2.28	2.09	1.96	1.88
	14⅜	12⅝	16½	18¼	18¾	15⅛	12⅞
	11¼	10½	12⅛	12½	11⅝	11⅞	10
	5,518	5,227	5,227	4,792	4,414	3,712	3,174
	.95	.90	.90	.83	.76	.64	.55
	5,808	5,808	5,808	5,808	5,808	5,808	5,793
	18,884	19,522	16,100	17,546	14,706	15,590	17,334
	294,059	244,443	227,689	212,709	196,807	183,019	168,811

MANAGEMENT'S COMMENTS
ON CONSOLIDATED STATEMENTS OF INCOME

1974

Operating revenue increased 17 per cent over 1973, reflecting higher rates in both Barbados and El Salvador as well as fuel adjustment charges, especially in Barbados. Revenues would have been higher but for the unseasonably cool weather in the Maracaibo service area.

Operating expenses were up over 1973 by 29 per cent due to increased labour, fuel and material costs, plus a provision for employees' severance indemnities of $746,000. In addition, heavy non-recurring legal costs related to the Maracaibo Municipal Tax Case were paid in the year.

Interest expense rose by 20 per cent over 1973 reflecting an increase of some $3 million in borrowings at record high interest rates. It is to be noted that a portion of the outstanding debt carries interest cost rates which are tied to certain fluctuating international bank rates.

1975

Operating revenues at over $100 million were 13 per cent higher than 1974, resulting from an increase of 8.5 per cent in kilowatt-hour sales, as well as higher rates in Bolivia and a fuel adjustment charge in Barbados. In addition, the full impact of a 35 per cent rate increase in El Salvador which went into effect on July 2, 1974 was reflected in the increase. Revenues would have been higher by approximately $4 million if it were not for the deconsolidation of an effectively controlled company.

Operating expenses rose by 16 per cent over 1974, due primarily to higher costs of purchased power, labour and fuel costs, as well as provisions for employees' service and severance indemnities.

Income tax expenses increased by about $1,300,000 due to higher withholding taxes on increased dividends from Venezuela and Bolivia and a new 10 per cent withholding tax on dividends from Barbados.

Listed below are dividends paid on the Common Stock as well as the High and Low Trading prices on the Montreal Stock Exchange by quarter for the years 1974 and 1975.

Quarter Ending	*Dividend*	*High**	*Low**
March 31, 1974	$0.27	13½	11¾
June 30, 1974	0.27	12⅞	10½
September 30, 1974	0.32	11	9½
December 31, 1974	0.32	11½	9¾
March 31, 1975	0.32	14	10¾
June 30, 1975	0.32	14¾	12¼
September 30, 1975	0.375	14¾	13
December 31, 1975	0.375	15	14

*Quoted in Canadian dollars.

FURTHER INFORMATION

A more comprehensive description of the business of the Company and other aspects of its affairs is contained in its annual report on form 10-K on file with the U.S. Securities and Exchange Commission. A copy of this report will be furnished free of charge to any shareholder upon written request addressed to the Company, Attention The Secretary, Suite 1800, 2020 University Street, Montreal, Quebec, Canada H3A 2A5.

Shares of both preferred and common stock in the Company are listed on the Montreal Stock Exchange;
shares of common stock are also listed on the Toronto Stock Exchange and the American Stock Exchange in New York.

Designed by
Robert Bode
Printed in Canada

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